

OFFICE OF THE MAYOR BOB FOSTER



**Mayor's Budget Recommendations
Fiscal Year 2006 - 2007
Presented
August 14, 2006**



MAYOR BOB FOSTER

CITY OF LONG BEACH

Dear Councilmembers:

It is my pleasure to submit the City Manager's Fiscal Year 2006-2007 (FY 07) Proposed Budget and Mayor's recommendations to the City Council.

The past several years have seen record deficits matched by unprecedented discipline with an eye toward this day: a structurally balanced budget buoyed by optimism about the economic health and future of Long Beach.

The Mayor, City Council, City Manager and all of our city employees deserve a great deal of credit for steering the City through such tough economic times. Long Beach set a new financial course founded in solid fiscal principles and focused on bringing new clarity and transparency to our budgeting process.

The health of our city's core however, has reached a tipping point. We must aggressively address our neighborhoods' needs: restoring the devastating cuts to our library system, jumpstarting repair of our streets and sidewalks, and investing in capital improvements to our public safety infrastructure.

Similarly, the austerity of the past several years has placed tremendous constraints on our ability to offer compensation packages worthy of our outstanding workforce.

This year, we have a tremendous responsibility to ensure those tough choices of the past several years were not in vain. We must be cautious in setting our spending priorities and unwavering in our search for both traditional and alternative funding sources.

Over the following pages, I have laid out the direction in which I would like to see our City move and provided specific suggestions on the path we should follow. I look forward to rolling up my sleeves and getting to work in partnership with the City Council and City staff on this exciting new chapter in our city's history.

Sincerely,

A handwritten signature in black ink, appearing to read "Bob Foster", is written over a light blue horizontal line.

Bob Foster
Mayor

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Mayor's Key Budget Issues and Priorities

Libraries – Of all the City budget cuts enacted the past three fiscal years, the most severe have been to our library system. Ten of the eleven branch libraries were reduced to being open only four days per week; the Main Library was closed on Sundays and Mondays; the North branch library, the City's busiest branch, was closed one additional day; and evening hours were reduced at two branches. As a result of the cutbacks in hours, private and non-profit funding sources for after-school homework assistance was also withdrawn. Further, the Department's book budget was cut by over 25%.

The cuts to the library were made in addition to budget reductions to hundreds of City programs and services, and though necessary at the time to preserve public safety budgets and address the fiscal crisis, have had a marked, deleterious impact on the community.

The City's library system is a critical link in the Community Safety continuum and the only hope for our residents on the wrong side of the Digital Divide.

Infrastructure – The City's infrastructure (i.e., streets, curbs, gutters, alleys, storm drains and facilities) has deteriorated in many cases to the point of failure and crisis.

Of greatest concern, over one-third of our 556 miles of residential streets, or just under 200 miles, are in "Poor, "Very Poor" or "Failed" condition. Another 25 percent, or almost 140 miles, are in "Fair" condition, with the balance being in "Good" and "Very Good" condition. This obvious sign of deterioration translates directly to property values, safety, economic development and quality of life.

Funding provided by the State for local street maintenance has been insufficient, and at times has been diverted by the State to balance its own budget. Even though we now have constitutional protection for the few resources provided by the State, the reality is that cities in California are largely on their own in providing critical infrastructure resources.

Therefore, the City needs to make immediate and sustained investments in streets, sidewalks, alleys, facilities, storm drains, etc. to avoid substantially greater cost of failure in the future. Just to provide an adequate local street maintenance and replacement program requires **\$10 million** per year in funding.

Every \$1 million spent today to maintain streets that are in "Fair" condition, will serve to avoid \$5 million in costs to reconstruct the street in five years. The City has been investing more into street maintenance the past three years, even during the worst of its budget problems, than it had in the past. The City Manager's and Redevelopment Agency's FY 07 Proposed Budgets include a

significant increase in one-time funds for streets and sidewalks totaling nearly \$16.6 million.

Police Recruitment and Retention – Public safety is a government's primary responsibility to its citizens. Our City's drop in overall crime over the past several years is an incredible testament to Chief Batts and the talent and quality of our Long Beach Police Department.

Long Beach is a complex urban environment and our City invests heavily in developing a specialized police force.

It is important to note that for years, however, the Long Beach Police Department has only been able to staff about 91% of its budgeted sworn positions. Further, data suggests that LBPD is now seeing the loss of larger than normal numbers of seasoned police officers to other public safety agencies than had been the norm for the Department.

The City has added and filled 41 positions to the force the past three years, although progress towards lowering the 9% vacancy rate has been slowed by transfers and retirements.

The approximate 9% vacancy level, coupled with what preliminary data suggests is an emerging trend nationally, regionally and locally of increased transfers between police agencies, is an area of utmost concern that Long Beach must thoroughly assess and move to address immediately.

Filling the approximately 90 existing vacancies, plus the 8 new positions proposed by the City Manager, will begin to be addressed by running two fully enrolled police academies beginning in FY07. Usually, LBPD conducts only one academy per year. Given the overall shortage of qualified police recruit candidates, coupled with widespread demand for growth amongst local and regional police agencies, the ability of LBPD to just fill its existing vacancies will have to be a multi-year process.

However, our goal must be to go beyond filling vacancies and to begin supplying the additional 100 officers the department has requested in order to appropriately respond to our public safety needs. Increasing the number of patrol officers on our streets, and requisite support staff, will remain a focus of my Administration.

Fire Station Facilities – While the City has made significant progress in facility improvements for police services over the past 5 years, the condition of many of the City's 23 fire stations is deplorable.

As a result, other than the refurbishment of Station 1 and some piecemeal maintenance citywide, almost no investment has been made during the past few decades in addressing these facilities. Some of the stations are over 60 years old and desperate need of replacement.

Similar to investments in our streets and sidewalks, these critical facilities require decisive action to ensure the Fire Department can provide the most efficient and effective emergency response possible – and most importantly, the quality of service that residents of Long Beach deserve.

Port-area Generated Property Tax Increment and the Redevelopment Agency (RDA) – The recent *Independent Study of Redevelopment* recommended that due to the community-wide impacts caused by Port operations, that the City as a whole should benefit from the property tax increment generated by Port properties.

The Redevelopment Agency began addressing this recommendation by providing \$1.3 million to the General Fund in FY 06. To continue to fully implement the recommendation to the benefit of the entire community, property tax growth should be considered in making the annual allocations.

Future Liabilities Accounting and Planning - The City has made commitments and has accepted mandates for which structural funding must be provided in the coming years. These include recognizing liabilities for retiree health benefits to comply with new governmental accounting standards, the City's commitment to bring police officers to the median pay of comparable agencies, and a major seismic retrofit of City Hall.

Plans to fund these future yet certain liabilities must be developed in the coming year.

City Council Priorities and Financial Policies - Establishment of policy guidance to the City Manager is the Charter-directed responsibility of the City's elected officials.

Meeting this imperative starts with the City Council's articulated *Priorities* and is further embodied in its adopted *Financial Policies*. Both of these are used in setting and guiding resource allocations, and therefore it is imperative that these critical policy documents be reviewed annually to not only reflect the community's most important needs, but also to adapt to the changing economic and service delivery environment in the City.

MAYOR'S RECOMMENDATIONS

The City Manager's FY 07 Proposed Budget, thanks to the hard work of the community, City employees, City boards and commissions, and the City Council, creates a **structural surplus of \$1.6 million** and leaves **\$2.4 million in unallocated one-time revenues and ending fund balance**.

In addition, the North RDA project area is anticipated to receive approximately **\$2 million** of additional property tax increment from properties located in the Port-area (net of Housing Set-Aside, Statutory Pass-throughs, existing bond payments and County administration costs).

Further, the City expects to receive **\$3 million** each of the next two fiscal years from the Sempra lawsuit settlement.

Accordingly, I respectfully submit the following:

1) Restore cuts to library services: \$1.3 million

To immediately restore library hours at all branches and at Main, in addition to after-school homework assistance programs, I recommend the City Council **allocate \$1.3 million of the projected structural surplus.**

Further, I am recommending **\$400,000 in unallocated one-time resources** be invested in funding the book budget for FY 07. This allocation would be in addition to the City Manager's proposal to fund \$300,000 using one-time revenue for books to stock the soon-to-open MacArthur Library.

2) Jumpstart Street Repair: \$2.3 million (\$18.9 million overall)

To direct **\$2.0 million of projected FY07 ending fund balance** (\$2.4 million less \$400,000 for the book budget) and; the remaining **\$300,000 structural surplus** mentioned above.

Coupled with the \$16.6 million delineated in the City Manager's and RDA's proposals, **a total of \$18.9 million will be directed into our City's crumbling streets and sidewalks this fiscal year.**

In addition, I applaud the City Council's August 8th decision to support Propositions 1A and 3A, California's infrastructure Bond initiatives. If approved by the voters in November 2006, Long Beach would expect to receive an additional \$15.5 million for neighborhood street improvements over the next three years.

3) Invest in our Firefighting Infrastructure: estimated \$2 million

To prioritize refurbishing and rebuilding Fire Stations and develop a financing plan for the City's fire facilities based on the recommendations of the Fire Services optimization study.

As a significant first step, I recommend requesting **the amount shared by the RDA with the City from the property tax increment generated in the Port District be increased to capture some of the unprecedented tax growth.** This funding, in excess of the \$1.3 baseline from FY 06, should be leveraged to finance projects that begin to address critical fire station needs.

Beyond this direct investment of approximately \$2 million, the City must quickly work to put together a plan to fund the substantial remaining balance of fire station improvements necessary to provide reasonable living quarters for our firefighters.

4) Public Safety Retention and Recruitment Fund

To have the capability to expeditiously assess and act on recommendations related to police officer retention and recruitment review, I propose directing **\$2.1 million of the FY 07 Sempra settlement funds to be held in a Public Safety Retention and Recruitment Account to assist in developing and acting upon forthcoming City Manager recommendations.**

Police Recruitment and Retention must be carefully studied in order to clearly understand the scope, root cause and service impacts of the trend of increased transfers out of our police ranks, as well as to develop appropriate and effective solutions.

The City Manager has identified retention and recruitment as a major issue for a citywide optimization study in FY 07, which I fully support. However, at the front end of that review we must focus on police retention. While the issue is studied more globally for all city positions in the coming year, there remains an unacceptable gap between budgeted and filled police officer positions, and the reasons for and longer-term impact of the recent increased loss of experienced police officers must be fully understood.

I am also in full support of the City Manager's recommendation to run two police academies in FY 07, but also believe **it is imperative that the City plan and budget to continue running two academies each year for the coming few years** in order to generate as many qualified police officers as possible to grow the force to meet our changing public safety needs.

5) Potential 2007 Citywide Election

To prepare for a potential city wide ballot in 2007. On August 1st, the City Council voted to conduct a series of Charter Reform hearings and indicated parameters for policy considerations for those hearings. The hearings schedule was constructed to account for a likely District special election in FY 07, and as such, allow sufficient time to coordinate a potential city wide special election on that date as well.

If the election is not conducted, I recommend the funds be directed to an appropriate infrastructure project that requires one-time funds.

6) Discipline for Structural Commitments

To refrain from over-committing future structural resources given the near \$20 - \$25 million in annual cost increases looming just a few years out.

The City of Long Beach has learned painful lessons of the past few years and has well earned its newfound reputation for fiscal discipline. In an effort to avoid situations like those facing San Diego and Orange County, resources to appropriately fund its coming commitments and liabilities must be identified and earmarked to ensure the City is prepared to meet its obligations without having to once again downsize and impact critical services to the community.

7) Request Public Employees Retirement System (PERS) Administration Charges Review

To request a thorough review, in collaboration with other participating governments, of PERS Management & Administration (M&A) costs. These funds are mandated fees paid by the City of Long Beach and other participating governments to PERS to cover PERS' internal costs.

A cursory review of PERS audited financial statements discloses a significant increase in PERS M&A costs, with little information disclosed by PERS as to why. Given Long Beach's fully funded status, I have concerns that the methodology used by PERS to allocate those costs among its member agencies may be creating an inequity that negatively impacts Long Beach.

8) Reassess Priorities and Policies

To establish a process to commence before FY 08 budget development begins through which the City Council can actively and openly revisit and update its priorities for the coming fiscal year in an effort to provide policy guidance to the City Manager to continue to better align budget allocations and communities priorities.

The City Council's Financial Policies must be treated as organic in nature, requiring regular assessment and revision when necessary.

Therefore, I recommend that the Budget Oversight Committee place on its agenda for FY 07 to hold a public review and deliberations about the City Council's Financial Policies, expecting recommendations the City Council can consider and adopt for FY 08.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bob Foster", with a stylized, cursive script.

Mayor Bob Foster
August 14, 2006